

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EURE-00 USIE-00 SP-02 AID-05
EB-08 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03
H-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 LAB-04
SIL-01 AGRE-00 AF-10 ITC-01 SSO-00 NSCE-00 INRE-00
EA-10 NEA-10 OPIC-03 /115 W
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 1722
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 11402

USOECD ALSO FOR EMBASSY

ALSO FOR USEEC

E.O. 11652: GDS
TAGS: PFOR, EGEN, EEC, BE, US
SUBJECT: BELGIAN EC PRESIDENCY: SEPTEMBER 7 PRE-UNGA
CONSULTATIONS: ECONOMIC ISSUES
REF: STATE 201127 AND 205678

1. U.S. DELEGATION (EB DEPUTY ASSISTANT SECRETARY BOSWORTH, IO DEPUTY ASSISTANT SECRETARY FRANK, USUN REP WILSON), ACCOMPANIED BY EMBASSY AND USEC OFFICERS, HELD CONFIDENTIAL

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PRE-UNGA CONSULTATIONS ON ECONOMIC ISSUES WITH BELGIAN EC PRESIDENCY REPRESENTATIVES ON MORNING OF SEPTEMBER 7. FOLLOWING ARE HIGHLIGHTS OF SESSION DEVOTED TO ECONOMIC TOPICS LIKELY TO ARISE AT 31ST RESUMED SESSION AND 32ND REGULAR SESSION OF UNGA. AFTERNOON SESSION ON POLITICAL ISSUES REPORTED SEPTEL.

2. COMMON FUND (CF) AND INTEGRATED PROGRAM (IP).

ALTHOUGH NOT UNGA ITEM PER SE, MORNING DISCUSSION BEGAN WITH EXTENSIVE EXCHANGE OF VIEWS ON CF AND IP. BOTH U.S. AND BELGIAN REPS AGREED THAT NOVEMBER CF NEGOTIATING CONFERENCE IN GENEVA EXTREMELY UNLIKELY TO REACH FINAL AGREEMENT ON CF. BELGIANS THOUGHT SOME GENERAL PRINCIPLES AND A FEW TECHNICAL DETAILS MIGHT BE RESOLVED IN NOVEMBER, BUT THAT AGREEMENT ON CF IS STILL FAR IN THE FUTURE. EC HAS NO CLEAR READING OF PROBABLE G-77 INTENTIONS AT NOVEMBER MEETING BUT INTENDS TO PROBE INFLUENTIAL G-77 MEMBERS IN COMING WEEKS. ON LATTER POINT, USDEL (BOSWORTH) NOTED U.S. PLANS FOR SIMILAR BILATERALS AND STRESSED NECESSITY FOR CLOSE COORDINATION BETWEEN EC AND U.S. AS CF CONFERENCE APPROACHES, INCLUDING POSSIBILITY OF COORDINATED APPROACHES TO INFLUENTIAL LDC'S. GIVEN LIKELY INDEFINITE NATURE OF CF NEGOTIATIONS AND LIMITED DC ABILITY TO MEET LDC DEMANDS, U.S. BELIEVES IT ESSENTIAL TO AVOID DANGER OF EC AND U.S. LEAPFROGGING ONE ANOTHER THROUGH LACK OF COORDINATION AND MISUNDERSTANDING.

3. CF OTHER MEASURES. BELGIAN REPS ADVANCED TENTATIVE IDEA THAT, GIVEN CURRENT LACK OF COMMODITY AGREEMENTS, ONE POSSIBLE SUCCESSFUL EXIT FROM NOVEMBER CF TALKS COULD BE DC AGREEMENT TO LIMITED CF FINANCING OF "OTHER MEASURES" (E.G., PRODUCTION OR MARKETING RESEARCH OF CERTAIN COMMODITIES). USDEL OPPOSED THIS IDEA ON GROUNDS THAT G-77

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(PARTICULARLY AFRICANS) ENVISAGES "OTHER MEASURES" AS INDEPENDENT SOURCE OF DEVELOPMENT FINANCING, A VIEW WHICH U.S. STRONGLY REJECTS. BOSWORTH STATED THAT U.S. WISHES TO PRESERVE DISTINCTION BETWEEN CF, WHICH SHOULD ONLY HAVE PURPOSE OF FACILITATING COMMODITY STOCKPILING, AND DEVELOPMENT ASSISTANCE ORGANIZATIONS. U.S. IS, HOWEVER, WILLING TO CONSIDER CF FINANCIAL COMMITMENTS FOR "OTHER MEASURES" WITHIN CONTEXT OF INDIVIDUAL PRODUCER/CONSUMER AGREEMENTS (E.G., HARD FIBERS AND JUTE).

4. INDIVIDUAL COMMODITIES. BELGIAN AND U.S. REPS IN GENERAL AGREEMENT THAT RUBBER AND PERHAPS COPPER OFFERED BEST HOPES FOR FUTURE PROGRESS. RUBBER NEGOTIATING CONFERENCE COULD BEGIN EARLY 1978 IF PRESENT TECHNICAL WORKING-LEVEL DISCUSSIONS LEAD TO EXPECTED CONCLUSIONS THAT RUBBER AGREEMENT WOULD HAVE DISTINCT POLITICAL ADVANTAGES AT REASONABLE ECONOMIC COST. ON SUGAR, U.S. REPS MADE STRONG PITCH FOR EC PARTICIPATION IN NEW INTERNATIONAL SUGAR AGREEMENT (ISA). U.S. RECOGNIZES EC DIFFICULTIES WITH EXPORT CONTROL MECHANISM BUT BELIEVES ISA IS NOT POSSIBLE WITHOUT EC PARTICIPATION. U.S. REPS EXPRESSED HOPE THAT EC COULD WORK OUT EXPORT QUOTA EQUIVALENT; E.G.,

SPECIAL STOCKING ARRANGEMENTS. SPEED IS OF ESSENCE; IF SUGAR AGREEMENT NOT CONCLUDED BY END OF YEAR, STRONG LIKELIHOOD EXISTS THAT ADMINISTRATION COULD BE FORCED TO TAKE PROTECTIONIST MEASURES. PRESENT 6-8 CENT A POUND RANGE IS "DISASTER" FOR MANY SMALL DEVELOPING COUNTRIES, WHO RELY ON SUGAR AS MAJOR EXPORT EARNER. U.S. REPS ALSO POINTED OUT THAT AGREEMENT COULD ALSO LEAVE IMPORTANT FAVORABLE IMPACT ON OVERALL NORTH-SOUTH DIALOGUE.

5. RESUMED 31ST UNGA SESSION REVIEW OF CIEC RESULTS.
BELGIAN REPS DISTRIBUTED COPIES OF LATEST G-27 DRAFT

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USOECD ALSO FOR EMBASSY

RESOLUTION ON CIEC FOR 31ST RESUMED SESSION (SEE USUN 2894). BOTH SIDES AGREED THAT DRAFT TEXT FAR WORSE FROM DC VIEW THAN EARLIER YUGOSLAV VERSION. U.S. REPS SAID THAT TEXT WAS SO BAD THAT DC'S MAY WISH TO CONSIDER TABLING COUNTERTEXT. BELGIANS SAID THAT SEPTEMBER 6 EC POLITICAL DIRECTORS MEETING HAD BEEN

SKEPTICAL THAT COUNTERTEXT WAS FEASIBLE, BUT ACKNOWLEDGED THIS WAS IN CONTEXT OF CONSIDERING SOFTER YUGOSLAV DRAFT. U.S. THOUGHT COUNTERTEXT COULD HARDLY BE REGARDED AS PROVOCATIVE FOLLOWING PRESENT G-77 TEXT, THAT NECESSARY COORDINATION COULD TAKE PLACE IN NEW YORK AND THAT MOST CONFIDENTIAL

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IF NOT ALL OF GROUP B COULD REACH AGREEMENT ON COUNTER-TEXT BY NEXT WEEK. BOTH SIDES UNCERTAIN WHETHER NEW TEXT REPRESENTS TOUGHENING OF G-77 POSITION OR IS MERELY TACTICAL NEGOTIATING MANEUVER.

6. BELGIANS ALSO NOTED THAT G-8 FOLLOW-UP ON CIEC SPECIAL ACTION FUND COMMITMENT COULD USEFULLY BE COORDINATED AT SOME POINT. ONE VENUE FOR THIS MIGHT BE THE OECD HIGH LEVEL DEVELOPMENT GROUP. U.S. REPS EXPRESSED RESERVATIONS ON THIS LAST POINT, BUT AGREED TO STUDY THE GENERAL QUESTION AND CONSULT WITH THE EC ON IT IN THE NEAR FUTURE.

7. FORUM FOR CONTINUED NORTH/SOUTH DIALOGUE. U.S. EXPRESSED OPENMINDEDNESS ABOUT OVERVIEW N/S MECHANISM IN WAKE OF CIEC. U.S. IS RECONCILED TO UN VENUE, WITH SLIGHT TENDENCY IN FAVOR OF LIMITED MEMBERSHIP BODY. G-77, HOWEVER, APPEARS LUKEWARM TO RECENT VENEZUELAN PROPOSAL ALONG THESE LINES. U.S. REP SAID THAT U.S. IS NOT RPT NOT CAMPAIGNING FOR AN OVERVIEW MECHANISM, BUT NOTED THAT DC'S WILL HAVE TO FACE ISSUE AND HAVE A RESPONSE ONCE G-77 REACHES INTERNAL AGREEMENT ON THE ISSUE. U.S. AND BELGIANS AGREED THAT NEGOTIATION OF SPECIFIC N/S ISSUES MUST BE KEPT IN SPECIFIC, COMPETENT FORA, WITH ANY OVERVIEW GROUP CONFINED TO ONLY BROAD DISCUSSION AND REVIEW OF PROGRESS MADE.

8. DEBT. BOTH BELGIAN AND U.S. REPS AGREED THAT UNCTAD SHOULD NOT EXTEND ITS RESPONSIBILITIES IN THIS FIELD. HOWEVER, BELGIAN REPS QUESTIONED FEASIBILITY OF U.S. ATTEMPTS TO RESERVE DEBT DISCUSSIONS TO IMF/IBRD DEVELOPMENT COMMITTEE (DC). FROM EC VIEWPOINT, ONE PROBLEM IS THAT TIMING OF UNCTAD TDB MINISTERIAL CONFIDENTIAL

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(JANUARY 1978) WILL PRECEDE BEGINNING OF DC WORK (MARCH OR APRIL 1978). WHAT THEN CAN DEVELOPED COUNTRIES SAY ON DEBT AT THE TDB MINISTERIAL? EC WOULD LIKE TO USE JOINT US-EC CIEC PAPER ON DEBT AT TDB MINISTERIAL BUT

UNDERSTANDS THAT U.S. HAS SO FAR REJECTED THE IDEA. U.S.
REPS EXPLAINED RATIONALE FOR U.S. DESIRE TO KEEP DEBT
OUT OF UNCTAD TO EXTENT POSSIBLE AND IN
LESS POLITICIZED, MORE "REALISTIC" IMF/WORLD BANK FORUM.
U.S. PROPOSES THAT SEPTEMBER DC DEPUTIES MEETING SET
UP SPECIAL WORKING GROUP TO REPORT TO UNCTAD DEBT EXPERTS
MEETING SCHEDULED FOR OCTOBER. DEPENDING ON PROGRESS
MADE, U.S. MIGHT AGREE AT THAT TIME TO USE OF SOME
ELEMENTS OF US/EC PAPER IN UNCTAD DISCUSSIONS (AS WELL
AS DC WORK). WHILE IT WILL BE IMPOSSIBLE TO AVOID
DEBT DISCUSSIONS IN TDB MINISTERIAL, U.S. WILL ENCOURAGE
FOCUS BE SHIFTED TO OTHER SUBJECTS; E.G., POSSIBLY
COMMODITIES.

9. ENERGY AND INTERNATIONAL DEVELOPMENT STRATEGY.
DISCUSSION ON BOTH TOPICS WAS VERY BRIEF. BELGIANS WERE
IN SUBSTANTIAL AGREEMENT WITH U.S. ON POST-CIEC TACTICS
(SEE STATE 205678). CHAMBERS

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